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Retail Trade: How the Provinces Fared in 2006

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Retail Trade: How the Provinces Fared in 2006

Lucy Chung, Mark Switzer and Paula Thomson, Distributive Trades Division

Summary

Canada's retailers had their busiest year in nearly a decade in 2006, and it was consumers in the three westernmost provinces who opened their wallets more than in the past.

Retailers sold $389.6 billion worth of goods and services in 2006, up 6.4% from 2005, the fastest rate of growth in nine years. When price changes were taken into account, retail sales increased by 5.3%.

Retail trade increased in all 13 provinces and territories in 2006. Among the provinces, only three had rates of growth above the national average—Alberta, British Columbia and Saskatchewan.

Consumers in Alberta led the pack with a stellar 15.6% increase in retail spending, even faster than their own impressive 11.8% increase in 2005. It was the third year in a row that Alberta's growth rate was the highest in the country.

The increase in British Columbia was the province's best since 1995, while resource-rich Saskatchewan experienced a retail sales boom to rival the national average. In Manitoba, sales growth fell short of the national average—the result of wide differences in growth rates among the various trade groups.

Retail sales growth also fell below the national average in Quebec, even though the increase in spending in the province's pharmacies and personal care stores was the fastest in the country.

Ontario's rate of growth again lagged behind the national average. In fact, Ontario's share of Canadian retail sales has declined for six straight years, and in 2006, was lower than a decade earlier.

Nova Scotia posted the strongest retail growth of the four Atlantic provinces. The growth rate in New Brunswick hit a seven-year high, while in Prince Edward Island it reached a six-year high. Sales in Newfoundland and Labrador improved after two years of weak growth.

At the national level, double-digit growth rates were posted by 4 of the 18 retail trade groups last year. Home furnishing stores led the pack in 2006, with a growth rate of 13.9%. They were followed by a 13.6% increase in sales at used and recreational motor vehicle and parts dealers, a 10.5% sales growth at home centres and hardware stores and a 10.3% gain by pharmacies and personal care stores.

This article examines the picture for the retail trade industry on a provincial level in 2006 using the Monthly Retail Trade Survey.

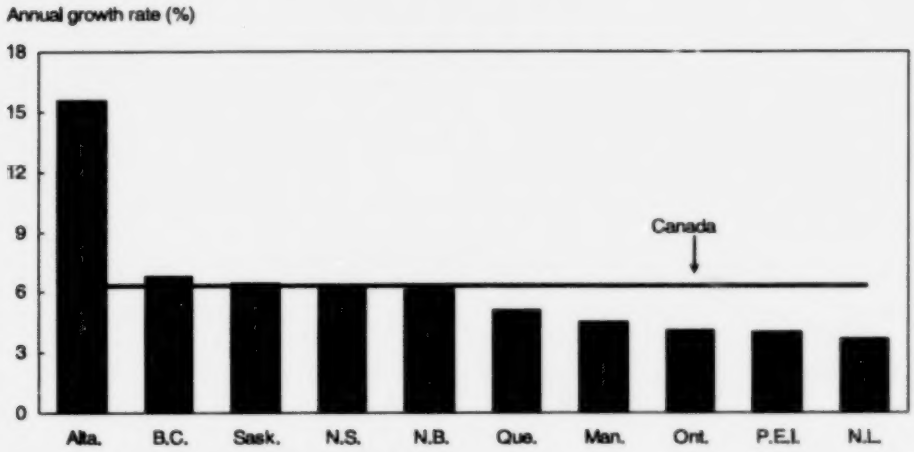
Note to readers

Readers are cautioned that various types of retail stores may sell a range of goods that extends beyond the broad classifications used for the purpose of this report. As a result, the value of their sales does not necessarily reflect the total value of sales of the principal commodities listed in their classification.

For example, estimates for sales at supermarkets do not necessarily reflect all sales of food in Canada. Other trade groups, such as convenience and specialty food stores and general merchandisers, are also involved in food retailing. They account for at least one-quarter of food sales in retail stores.

At the same time, about one-fifth of sales at supermarkets consist of products other than food and beverages. These include household paper products, toiletries and non-prescription drugs.

Chart 1 Alberta more than double the Canadian average growth of retail sales in 2006



Source: Statistics Canada, CANSIM table 080-0015.

Canada: Double-digit growth reported in four retail trade groups

Double-digit growth rates were reported in 4 of the 18 trade groups in 2006. Home furnishing stores led the pack with a growth rate of 13.9% on sales of $5.3 billion.

Used and recreational motor vehicle and parts dealers represented the second strongest growing trade group, with sales rising 13.6% to $17.4 billion. This gain, driven by strong sales of recreational vehicles, was more than twice as fast as the 5.1% increase in 2005. It represented the group's strongest growth rate since 1994.

Home centres and hardware stores followed with a sales increase of 10.5%. Their sales amounted to $20.1 billion. Growth in this trade group has outpaced the increase in total retail trade every year since 2001.

Sales in pharmacies and personal care stores grew 10.3% to $26.1 billion in 2006. This was close to triple the increase of 3.8% in 2005 and the fastest growth rate since the series began in 1991.

While not double-digit growth, sales at clothing stores of $17.3 billion in 2006 translated into a 7.3% increase, which was the highest growth rate since 1994.

Table 1 Retail sales by trade groups, Canada, 2005 and 2006

Trade group	Sales		Annual growth rate
	2005	2006	
	$ thousands		%
New car dealers	71,515,593	74,663,239	4.4
Used and recreational motor vehicle and parts dealers	15,301,412	17,380,457	13.6
Furniture stores	8,914,404	9,585,489	7.5
Home furnishing stores	4,686,310	5,339,857	13.9
Computer and software stores	1,557,459	1,517,589	-2.6
Home electronics and appliance stores	10,164,838	11,157,014	9.8
Home centres and hardware stores	18,220,663	20,125,707	10.5
Specialized building material and garden stores	4,340,376	4,627,948	6.6
Supermarkets	62,196,281	63,512,477	2.1
Convenience and specialty food stores	9,128,627	9,356,439	2.5
Beer, wine and liquor stores	14,343,921	15,160,302	5.7
Pharmacies and personal care stores	23,642,695	26,070,290	10.3
Gasoline stations	38,356,774	41,606,922	8.5
Clothing stores	16,069,315	17,248,455	7.3
Shoe, clothing accessories and jewellery stores	4,981,273	5,400,328	8.4
Sporting goods, hobby, music and book stores	9,379,299	10,003,066	6.7
General merchandise stores	43,758,361	46,518,255	6.3
Miscellaneous store retailers	9,613,064	10,292,771	7.1
Total	**366,170,665**	**389,567,396**	**6.4**

Source: Statistics Canada, Monthly Retail Trade Survey, CANSIM table 080-0015.

Retail growth varies among largest trade groups

Large variation existed in the growth of retail sales among the other largest trade groups in 2006.

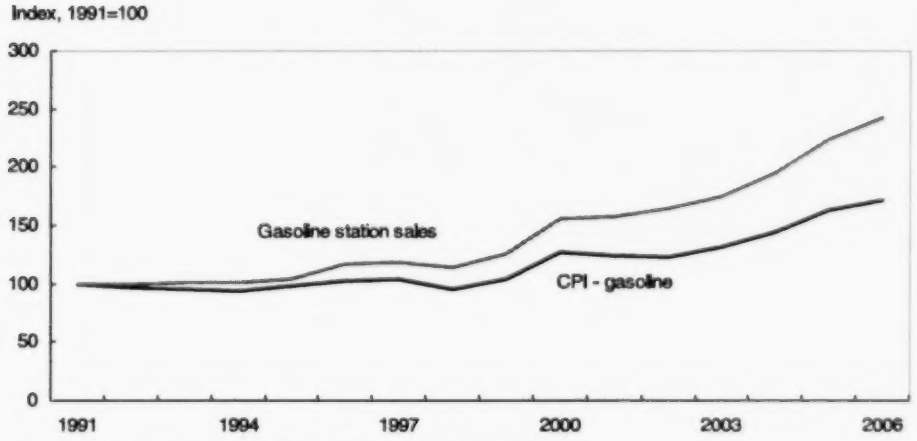
Sales at new car dealers totalled $74.7 billion in 2006, up 4.4%. This growth rate was slightly slower than the 5.0% growth posted in 2005, and trailed the national average for a fourth consecutive year. According to the New Motor Vehicle Sales Survey, dealers sold 1,666,327 units last year, up 2.2% from 2005.[1]

Supermarket sales rose 2.1% to $63.5 billion. This rate was lower than the 4.8% average annual increase this trade group has enjoyed between 2002 and 2005.

Sales at general merchandise stores (which include department stores, warehouse clubs, superstores and home and auto supplies stores) rose 6.3% to $46.5 billion, posting its fastest growth rate since 1999.

Despite some monthly volatility, gasoline station sales of $41.6 billion in 2006 represented annual growth of 8.5%, down from double-digit increases of 11.4% in 2004 and 15.0% in 2005. Sales at gasoline stations generally follow the ups and downs of prices at the pump.

Chart 2 Gasoline prices and gasoline station sales have been growing strong since 2003



Source: Statistics Canada, CANSIM tables 080-0015 and 326-0021.

1. See Ashley Ker, "New Motor Vehicle Sales: 2006 in Review," *Analysis in Brief*, Statistics Canada Catalogue no. 11-621-MIE2007054, http://www.statcan.ca/english/research/11-621-MIE/11-621-MIE2007054.htm (accessed April 23, 2007).

Table 2 Retail sales by province and territory, 2005 and 2006

Geography	Sales		Annual growth rate
	2005	2006	
	$ thousands		%
Newfoundland and Labrador	5,825,890	6,042,370	3.7
Prince Edward Island	1,423,879	1,481,271	4.0
Nova Scotia	10,526,915	11,191,820	6.3
New Brunswick	8,326,072	8,834,828	6.1
Quebec	82,532,549	86,762,767	5.1
Ontario	135,320,625	140,835,382	4.1
Manitoba	12,381,339	12,938,337	4.5
Saskatchewan	10,796,100	11,494,744	6.5
Alberta	48,493,042	56,046,573	15.6
British Columbia	49,286,339	52,626,851	6.8
Yukon	433,913	451,132	4.0
Northwest Territories	574,821	599,561	4.3
Nunavut	249,182	261,760	5.0
Canada	**366,170,665**	**389,567,396**	**6.4**

Source: Statistics Canada, Monthly Retail Trade Survey, CANSIM table 080-0015.

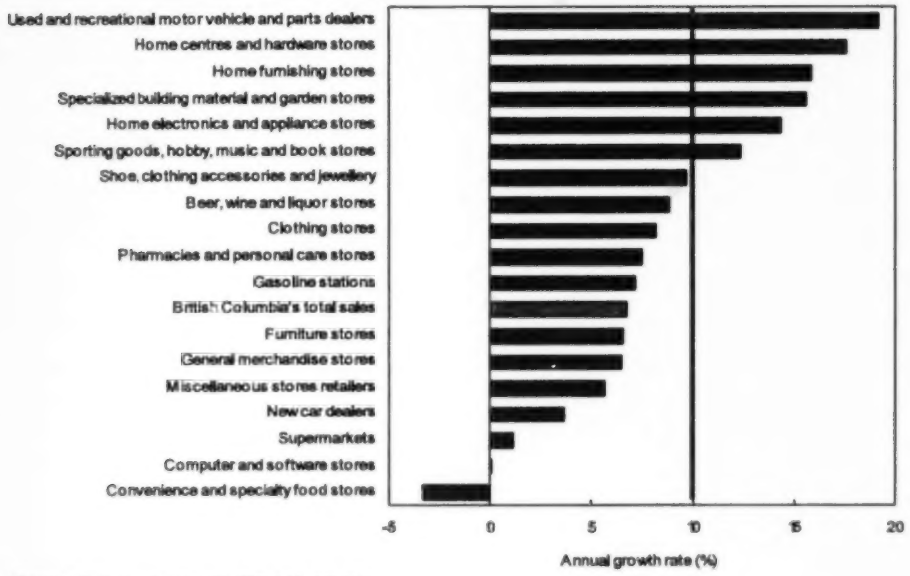
British Columbia: Best sales gain in 12 years

With retail sales growth of 6.8% in 2006, British Columbia edged out Saskatchewan (+6.5%) as the province with the second strongest growth in retail sales, behind red-hot Alberta. Although retailers in the province reported a growth rate of 6.3% in 2002 and again in 2004, last year's increase was the fastest growth rate on record since 1995.

Employment in British Columbia grew by 3.1% in 2006, second only to Alberta. The province's unemployment rate was 4.8%, well below the national average of 6.3%. British Columbia's population rose 1.2% in 2006, also above the Canadian average of 1.0%.

British Columbia retailers reported increased sales in almost all 18 trade groups in 2006, with a double-digit pace in six.

Chart 3 Six trade groups reached double digit sales growth in British Columbia in 2006



Source: Statistics Canada, CANSIM table 080-0015.

Used and recreational motor vehicle and parts dealers led the pack in British Columbia in 2006, with sales rising 19.2% to $2.0 billion. Robust sales of recreational vehicles pushed the growth rate for this trade group to its fastest pace since 2001, just short of the 22.0% record gain set in 2000.

Home centres and hardware stores reported the second fastest growth rate, with sales rising 17.6% to $2.6 billion. Other trade groups that predominantly sell home furnishings and hardware, lawn and garden products also posted double-digit growth.

Growth in gasoline station sales slowed to 7.1% on revenues of $5.9 billion after double-digit growth increases in 2004 (+10.1%) and 2005 (+15.5%). General merchandise stores sales continued to experience strong positive sales growth, with a 6.5% increase in 2006 that fell between the 5.9% gain of 2005 and the record-setting 8.6% growth rate of 2004.

Sales at new car dealers of $9.3 billion were up 3.7% after two sluggish years. Supermarket sales rose 1.2% to $9.1 billion, considerably below the 4.7% average annual growth rate of the previous five years.

Alberta: Province leads all others for third year in a row

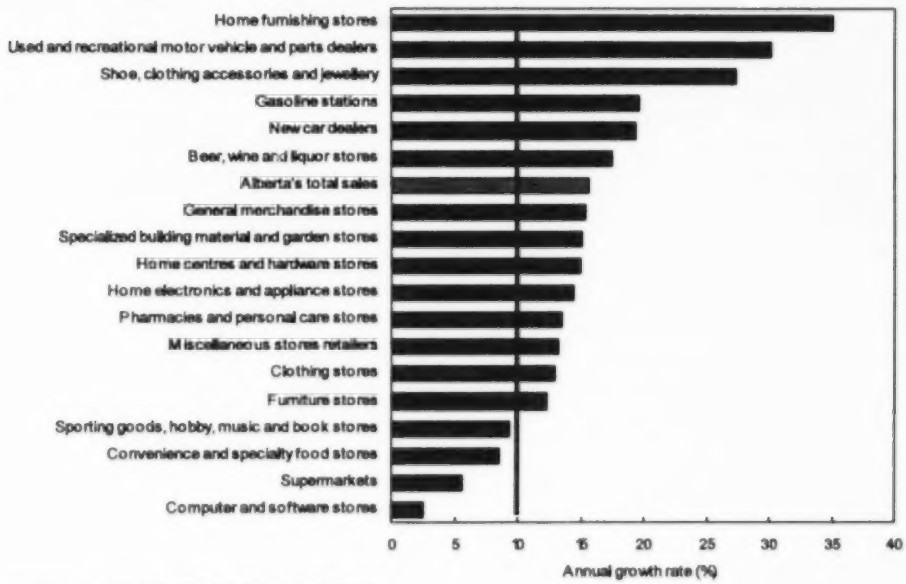
Alberta was in the midst of the strongest period of economic growth ever recorded by any Canadian province last year.[2] In this context, retail sales in 2006 surged 15.6% to $56.0 billion, the third in a row that Alberta's growth rate led the nation. In addition, the province was the only one to report double-digit sales growth for the third consecutive year.

Factors helping Alberta achieve this historic high include a 7.5% increase in Alberta's average weekly wage rate and 4.8% employment growth. Both rates were the highest among the provinces and territories. Alberta's 3.4% unemployment rate was also the lowest in Canada.

Alberta's population increased 3.0% from 2005 to 2006 according to the latest population estimates, by far the fastest growth rate in Canada.

Sales grew in every trade group in Alberta, with double-digit gains in all but four.

Chart 4 All but four trade groups reached double digit sales growth in Alberta in 2006



Source: Statistics Canada, CANSIM table 080-0015.

One example of the formidable growth experienced in Alberta was observed in used and recreational vehicles and parts dealers. Sales at these types of stores rose by 30.2% in 2006 and have been very strong since 2004. Demand for recreational vehicles, either for housing, travel or leisure, had driven up sales at these types of stores in the past few years.

2. See Philip Cross and Geoff Bowlby, 'The Alberta economic juggernaut: The boom on the rose", *Canadian Economic Observer*, Statistics Canada Catalogue No. 11-010-XIB, September 2006, http://www.statcan.ca/english/freepub/11-010-XIB/00906/feature.htm (accessed June 14, 2007).

Gasoline station sales rose by 19.6% in Alberta, following similar strong growth patterns in previous years. This was the strongest growth in gasoline station sales among the provinces and territories.

Sales at gasoline stations generally follow the rise and fall of prices at the pump. Gasoline prices in Alberta grew 7.1% in 2006, a rate which is among the highest price increases in Canada, according to the Consumer Price Index (CPI). The increased gasoline demand in Alberta also reflects the province's growing population and strong economic activity.

Sales at new car dealers increased 19.4% in 2006, the third year in a row of double-digit growth. This was the fastest growth rate at this type of retail outlet in Alberta since 1997. With Canada's average sales growth of 4.4% among new car dealers across the country, Alberta's growth was by far the highest compared to other provinces.

According to the New Motor Vehicle Sales Survey, truck sales (the main vehicle type sold in Alberta) rose by 14.9% from 2005 while the number of new cars sold was up by 11.9%. At a distant second was British Columbia where the number of new cars sold in 2006 increased by only 4.3%.

With housing starts at record levels, Alberta's housing boom has resulted in soaring sales for home centres and hardware stores. In Alberta, sales increased by 15.0% at these types of stores last year, the second year in a row of double digit growth.

Related to the housing boom, sales at home furnishing stores grew by a record 35.0% in 2006. Whether re-decorating old homes or furnishing new ones, Albertans have caught the home decorating bug and have spent their money to prove it. Though at lower growth rates, sales at home electronics and appliance stores (+14.4%) and furniture stores (+12.3%) also reached double digits for the third year in a row to outpace the national annual growth for each of these trade groups of 7.0% over the period 2004 to 2006.

Sales at clothing stores in Alberta rose 12.9% in 2006. Albertans also increased their retail spending at shoe, clothing accessories and jewellery stores, pushing up sales at these stores by a record 27.4% in 2006, to almost triple the 9.3% growth rate reported in 2005.

Retail spending at general merchandise stores (which includes department stores, warehouse clubs, superstores and home and auto supplies stores) rose 15.4%. Prior to 2006, sales had been generally growing at about half the 2006 rate since 1999.

Supermarket sales in Alberta grew by 5.6% in 2006, on par with the growth in the previous two years and reflective of the recent population growth in this province in 2006.

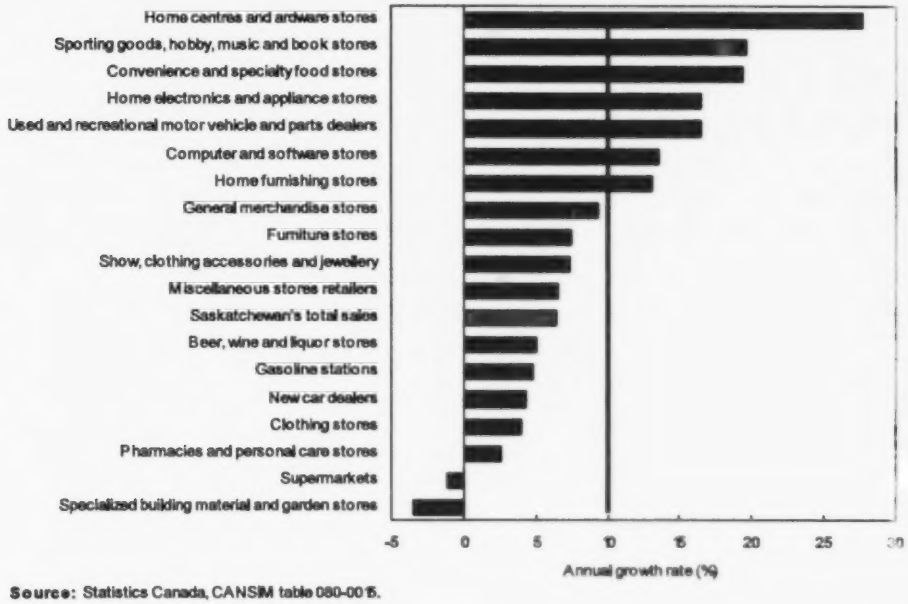
Saskatchewan: Retail sales boom in resource-rich province

Saskatchewan retailers saw overall retail sales increase by 6.5% to $11.5 billion in 2006, the strongest growth rate in four years, and the third highest among all the provinces and territories.

With vast stocks of uranium, potash and oil, Saskatchewan is experiencing a resource boom of its own. Saskatchewan ranked third highest in employment growth (+1.7%) and achieved the third lowest provincial unemployment rate in 2006 (4.7%). The average weekly wage rate increased 5.2% for Saskatchewan workers in 2006, the fastest wage increase among the provinces and territories aside from Alberta.

This resource boom was also reflected in Saskatchewan's retail spending in 2006 with double-digit growth rates in almost a third of the trade groups.

Chart 5 Over a third of the trade groups in Saskatchewan attained double digit sales growth in 2006



Source: Statistics Canada, CANSIM table 080-0015.

Sales growth at home centres and hardware stores has been strong in Saskatchewan in recent years. In 2006, sales at these types of stores increased by a record 27.6%, following an average growth rate of 19.7% between 2003 and 2005. Housing starts in this province increased 8.1% in 2006, second only to Alberta's growth of 19.9%. Other housing-related retail stores also saw double-digit sales increases, such as home electronics and appliance stores (+16.5%) and home furnishing stores (+16.4%).

Sales at supermarkets edged down by 1.2% in Saskatchewan in 2006. In contrast, general merchandise stores saw their sales grow by 9.3% after increasing by 14.5% in 2005. Prior to this period, sales growth had averaged a mere 2.9% since 2000. General merchandisers represent a larger share of retail sales in Saskatchewan than in most other provinces due to the presence of co-operatives who often sell food alongside general merchandise.

After two years of sales declines, new car dealers in Saskatchewan saw sales pick up by 4.3% in 2006—slightly under the national average of 4.4%. According to the New Motor Vehicles Sales Survey, the number of new motor vehicles sold in Saskatchewan rose by only 1.7% in 2006, also below the average 2.2% growth in Canada.

Manitoba: Slowed sales growth masks underlying growth differences

Retail sales in Manitoba gained 4.5% to $12.9 billion in 2006. Although below the national average growth rate of 6.4%, this overall sales figure masks large growth differences among various retail trade groups. Growth rates ranged from a 20.8% increase at used and recreational motor vehicles to a 1.9% decline at new motor vehicle dealers.

The decline in sales at new car dealers reflects a 2.6% drop in the number of new passenger cars sold in Manitoba observed by the New Motor Vehicles Sales Survey. Truck sales fell only by 0.2% in the same period.

In contrast, the strong sales seen at used and recreational motor vehicles and parts dealers are consistent with the double-digit annual growth rates observed in Manitoba since 2001.

Significant growth was seen at Manitoba home centres and hardware stores in 2006. Sales at these stores rose by 17.6%, after four years of strong growth. Sales at furniture stores were also strong with a 13.7% increase.

Sales at gasoline stations in Manitoba rose by 8.4% in 2006, the third highest growth rate for this trade group among the provinces.

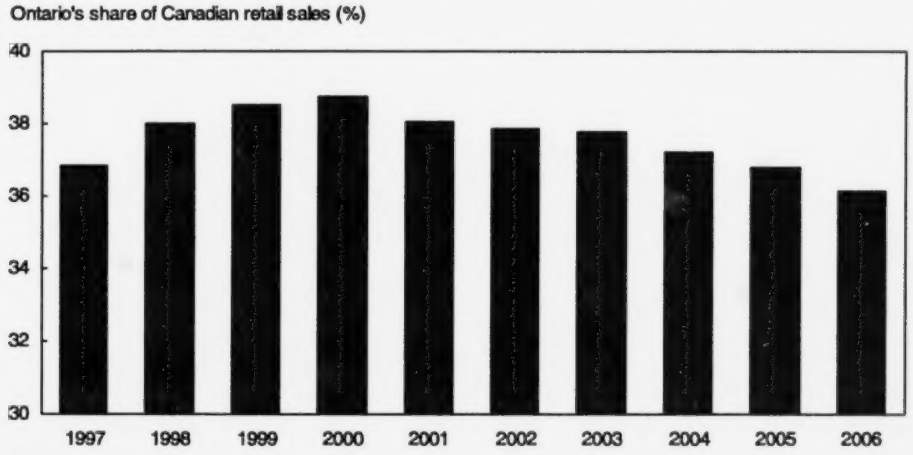
Sales growth at general merchandise stores advanced 6.4%, accounting for almost one-fifth of Manitoba's overall sales growth in 2006. General merchandisers represent 13.9% of retail sales in Manitoba compared to 11.9% for all of Canada.

Ontario: Sales growth continues to lag behind the national average

Retail sales grew by 4.1% in Ontario in 2006 on the strength of $140.8 billion in sales across all sectors. For the sixth straight year, retail sales increased more slowly in Ontario than in the rest of Canada. While increases were seen in all trade groups in the province, only three trade groups had a higher growth rate than Canada as a whole.

Since 2000, Ontario's share of retail sales in Canada has fallen from 38.7% to 36.1% in 2006. Ontario's average weekly wage growth of 3.0% in 2006, and 3.3% in 2005 have also been trailing the Canadian average of 3.5% for the past two years.

Chart 6 Ontario's share of Canadian retail sales down a 6th year in a row



Source: Statistics Canada, CANSIM table 080-0015.

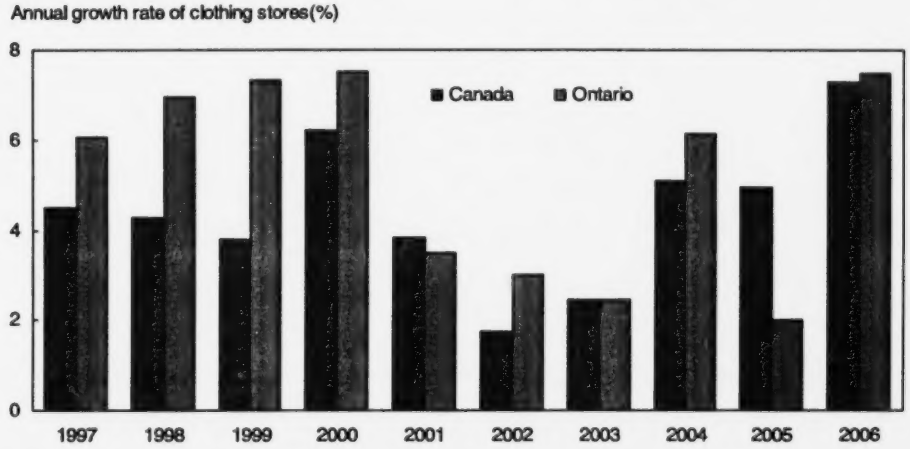
Sales growth of used and recreational motor vehicles and parts dealers in Ontario reached a 6-year high in 2006 of 10.2%. This was in stark contrast to the weak sales observed by new car dealers in the province where sales edged up only 0.3%. For the third consecutive year, these two trade groups trailed the growth rate observed by the country at large.

The second highest sales growth, 9.1%, was registered in the pharmacies and personal care stores trade group. This rate was slightly lower than the national average of 10.3% and represents the first time since 2001 that the Ontario growth rate in this trade group has trailed the country. However, it is still significantly greater than the 7.2% annual average growth rate over the last 10 years in these types of stores in the province.

Sales at home furnishing stores in Ontario rebounded by a strong 8.2% in 2006. While the growth rate in these types of stores still trailed the national rate, it would appear that sales are back on track after a lacklustre 2005.

Growth in clothing stores reached a 6-year high of 7.5%. This was also one of the few trade groups where gains in Ontario were stronger than the rest of the country, a trend that has occurred in 8 of the last 10 years.

Chart 7 Sales growth in clothing stores in Ontario outpaced Canadian growth for the 8th year out of 10



Source: Statistics Canada, CANSIM table 080-0015.

Sales at supermarkets were stagnant (+0.7%) in Ontario in 2006, having slowed in 2005 after a record 9.6% growth in 2004, possibly due to changes in the purchasing habits of consumers.[3] Among the factors explaining this lacklustre growth are higher food sales in general merchandise stores and specialty food stores and lower sales of non-food products in supermarkets.

General merchandise store sales grew by 4.5% in Ontario in 2006. Though lower than the Canadian average, this growth rate was the strongest among this type of store in Ontario since 2000.

3. See Guillaume Dubé, "Canadian Retailers Competing for the Consumer's Food Dollar", *Analysis in Brief*, Statistics Canada, Catalogue no. 11-621-MIE-2006038, April 2006, http://www.statcan.ca/english/research/11-621-MIE/11-621-MIE2006038.htm (accessed April 4, 2007).

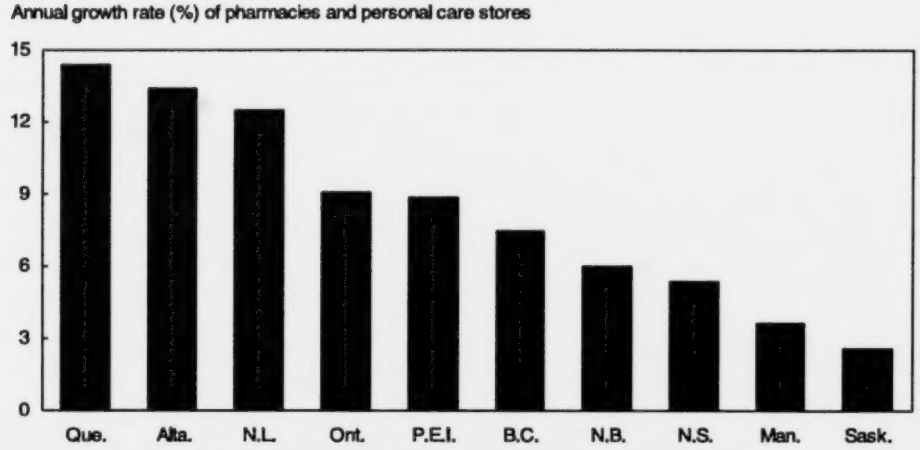
Quebec: Strongest growth at pharmacies and personal care stores in Canada

Retail sales grew 5.1% in Quebec in 2006 on the strength of $86.8 billion in sales across all sectors. This marks the third consecutive year that Quebec's growth has been below the national average.

This below average ranking is in large part due to the performance of the Western provinces. In fact, growth in sales in Quebec has been higher than in Ontario for six straight years. Growth in the average weekly wage rate in Quebec was 2.3% in 2006, also weaker than the Canadian average wage growth of 3.5%.

Sales growth at pharmacies and personal care stores in Quebec was the strongest in Canada (+14.4%). Prescription and over-the-counter drugs, which had double-digit growth in 2006, represent a greater share of sales in this trade group in Quebec.[4] Any store incorporated as a pharmacy in Quebec must be owned and operated by a pharmacist and, in contrast to the situation in other provinces, pharmacies located in supermarkets and general merchandise stores are included in the pharmacies and personal care stores trade group.

Chart 8 Quebec posted the strongest growth at pharmacies and personal care stores in Canada



Source: Statistics Canada, CANSIM table 080-0015.

Sales growth in all three components of the automotive sector all trailed behind the rest of Canada; new car dealers growth was the lowest of the three with a 1.8% increase, used and recreational motor vehicle and parts dealers showed a growth of 4.6% while gasoline stations did better with 6.6%.

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4. For more information on sales of prescription and over-the-counter drugs in Canada and Quebec from 1998 to 2005, see Guillaume Dubé, "Competing for the Retail Drug Market", *Analysis in Brief*, Statistics Canada, Catalogue no. 11-621-MIE-2006048, September 2006, http://www.statcan.ca/english/research/11-621-MIE/11-621-MIE2006048.htm (accessed April 4, 2007).

Another significant point of relative weakness was the performance of general merchandise stores, where sales rose 3.8%, compared with the national average of 6.8%.

The home renovation bug together with house sales seems to have taken hold in Quebec. The trade groups with the second and third strongest growth rates were home furnishing stores (+10.7%) and home centres and hardware stores (+10.5%). The growth in home furnishing stores was the strongest since 2002 and the second fastest in the last 10 years. Sales at home centres and hardware stores have been strong in Quebec in the last five years with these stores posting in 2006 their fourth year of double-digit growth rate in the last five years

Sales at supermarkets in Quebec grew by 3.4% to outperform the country as a whole.

New Brunswick: Sales growth at seven-year high

Retail sales grew 6.1% in New Brunswick in 2006 on the strength of $8.8 billion in sales revenues, drawn from strong retail activity at supermarkets, general merchandise stores and used and recreational motor vehicles and parts dealers. This was the province's highest growth rate in the last 7 years.

As in many other provinces, sales at used and recreational motor vehicles and parts dealers (+17.3%) played a significant role in the increase in retail trade.

Other store types that contributed to the increase included general merchandise stores (+7.4%) and supermarket sales (+5.4%). New car dealers rang up $1.5 billion in sales, up 1.4% from 2005.

Nova Scotia: Strongest growth in the Atlantic provinces

After 3 years of moderate growth, retail sales in Nova Scotia leapt ahead by 6.3% in 2006 to $11.2 billion on the strength of sales in the automotive sector.

Sales at new car dealers grew 7.4%, the strongest growth in nine years. Combined with sales at gasoline stations (+13.2%) and used and recreational motor vehicle and parts dealers (+21.2%), these 3 automotive-related trade groups contributed over half of the retail sales growth in Nova Scotia in 2006.

The rest of retail trade in Nova Scotia (excluding the automotive sector) grew by only 4.3% with sales at general merchandise stores (+3.7%) and home centres and hardware stores (+6.6%) being the two largest contributors to this growth.

Prince Edward Island: Fastest sales in six years

Retail sales grew 4.0% in Prince Edward Island in 2006 on revenues of $1.5 billion, setting the highest growth rate of the past six years.

Sales at new car dealers were up 5.6% in 2006 to $235.4 million. Gasoline station sales grew 2.2% to $172.0 million, down from a price-induced growth rate of 12.4% in 2005. The provincial government's gasoline price stabilization initiatives may have played a role in tempering mid-year price fluctuations.

Retail sales, excluding the automotive sector, increased by 3.8%, led by clothing stores.

Newfoundland and Labrador: Signs of improvement after two weak years

Newfoundland and Labrador retailers had the weakest increase in sales among provinces, growing by 3.7% in 2006 on the strength of $6.0 billion in sales revenues.

This rate of growth was nowhere near the 9.3% performance in 2001. However, it was an improvement over recent sluggish growth in 2004 (+0.3%) and 2005 (+1.2%).

Part of the weakness in retail sales in Newfoundland and Labrador can be seen in the performance of home centres and hardware stores. While sales at the Canada level in this trade group grew by 10.5%, home centres and hardware stores stagnated in this province last year, with a decline of 0.3%.

General merchandise store sales grew by 6.4%, contributing over a quarter of the sales growth in this province.

The rest of retail trade in Newfoundland and Labrador grew by 3.5% in 2006.